

# Financing SMEs

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# Agenda

- Financing SMEs- Challenges
- The Regional Payment and Settlement System (REPSS)
- Key benefits of REPSS
- Cost Considerations
- Current Status
- Challenges

# Financing SMEs Challenges

| Banks        |   | Applications received |                      | Applications rejected |                    |
|--------------|---|-----------------------|----------------------|-----------------------|--------------------|
|              |   | Number                | Amount (Rs)          | Number                | Amount (Rs)        |
| 1            | The Mauritius Commercial Bank Limited                 | 2,511                 | 5,068,574,001        | 63                    | 94,859,000         |
| 2            | Barclays Bank Mauritius Limited                       | 238                   | 608,037,859          | 4                     | 17,898,405         |
| 3            | The Hongkong and Shanghai Banking Corporation Limited | 181                   | 303,688,500          | -                     | -                  |
| 4            | Bank of Baroda  | 84                    | 210,312,772          | -                     | -                  |
| 5            | Habib Bank Limited                                    | 19                    | 34,650,000           | 1                     | 2,000,000          |
| 6            | SBM Bank (Mauritius) Ltd                              | 1,544                 | 1,775,919,125        | 51                    | 92,313,511         |
| 7            | Standard Bank (Mauritius) Limited                     | -                     | -                    | -                     | -                  |
| 8            | MauBank Ltd   | 531                   | 911,372,886          | 93                    | 179,709,815        |
| 9            | Banque des Mascareignes Ltée                          | 196                   | 264,399,717          | 37                    | 56,654,918         |
| 10           | AfrAsia Bank Limited                                  | 11                    | 100,800,000          | 1                     | 16,000,000         |
| 11           | Bank One Limited                                      | 155                   | 231,333,099          | 3                     | 1,850,000          |
| 12           | SBI (Mauritius) Ltd                                   | 95                    | 149,477,500          | 3                     | 8,000,000          |
| 13           | ABC Banking Corporation Ltd                           | 63                    | 94,937,150           | 5                     | 6,938,000          |
| <b>TOTAL</b> |   | <b>5,628</b>          | <b>9,753,502,609</b> | <b>261</b>            | <b>476,223,649</b> |

*Date of data: The table has been compiled on the basis of figures reported by the banks as at 19 June 2017.*

*Figures may not add up to total due to rounding.*

**Bank of Mauritius**

**20-June-2017**

# Financing SMEs Challenges

- Ability to finance working capital needs for new orders, challenges to scale up. Where are the schemes as you scale up?
- Banks and collateral demands
- Capital structure and shareholding of SMEs
- Banking transaction costs can be high.
- KYCC and Correspondent Banking impact on smaller regional banks
- Alternatives to bank financing?

# Financing SMEs Challenges

- Efforts being made by policy makers to provide an environment/platform for entrepreneurs with good ideas to meet potential investors- Can disruptive tech help?
- Focus on efficient funding mix and learn from bigger local companies about how smaller takes at holding level can still lead to strategic control of subsidiaries.
- BoM currently looking at enabling regulation for Commercial Paper market (more for medium to larger sized companies that are rated).
- BoM focused on bringing down transaction costs within COMESA member countries (payments).

# Regional Payment and Settlement System



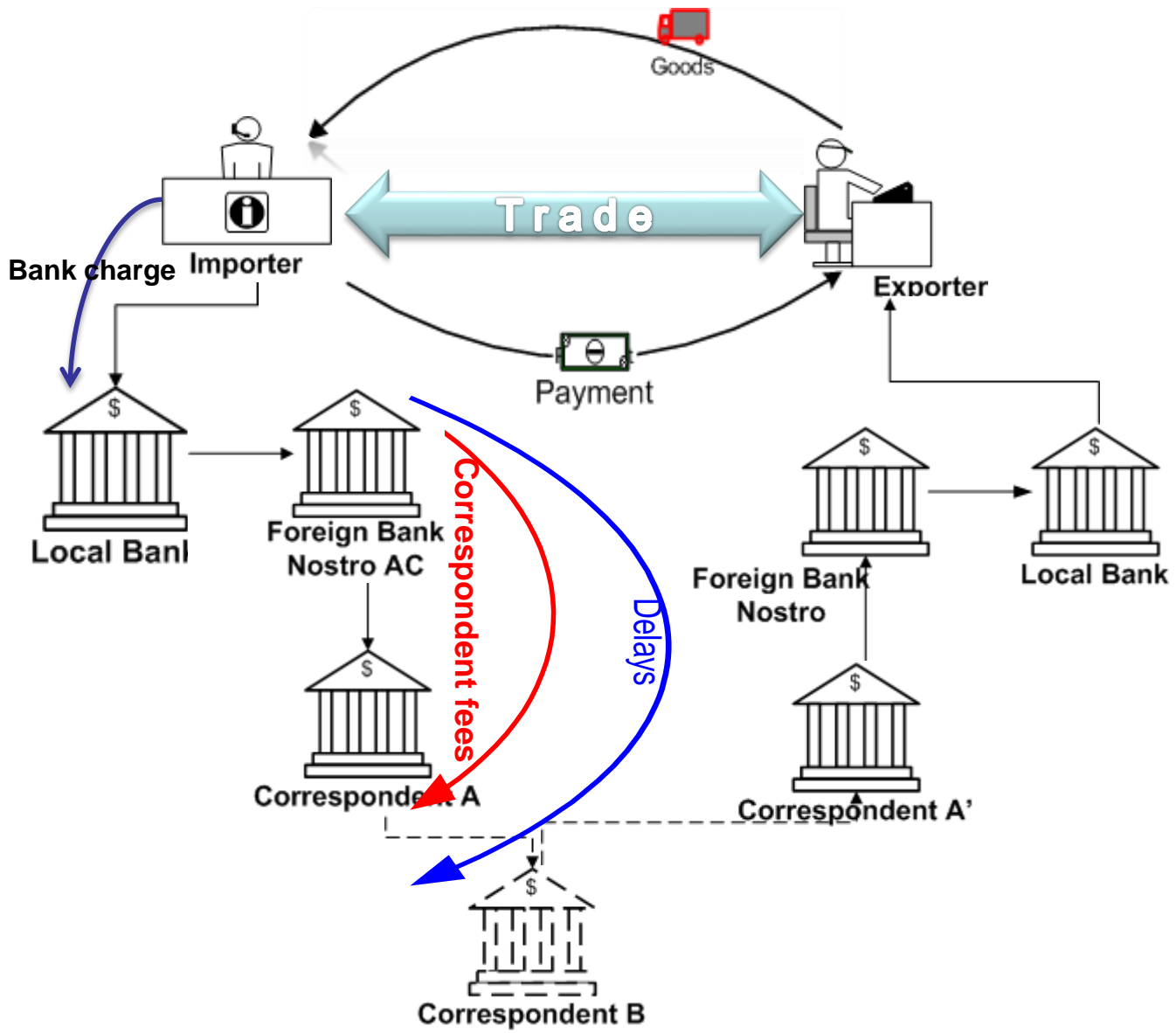
- Payment system linking central banks
- Commercial banks participate through central banks
- Builds on existing national infrastructure
- No capital investment required at level of central bank, only SWIFT connectivity
- Guaranteed same day settlement

# Regional Payment and Settlement System



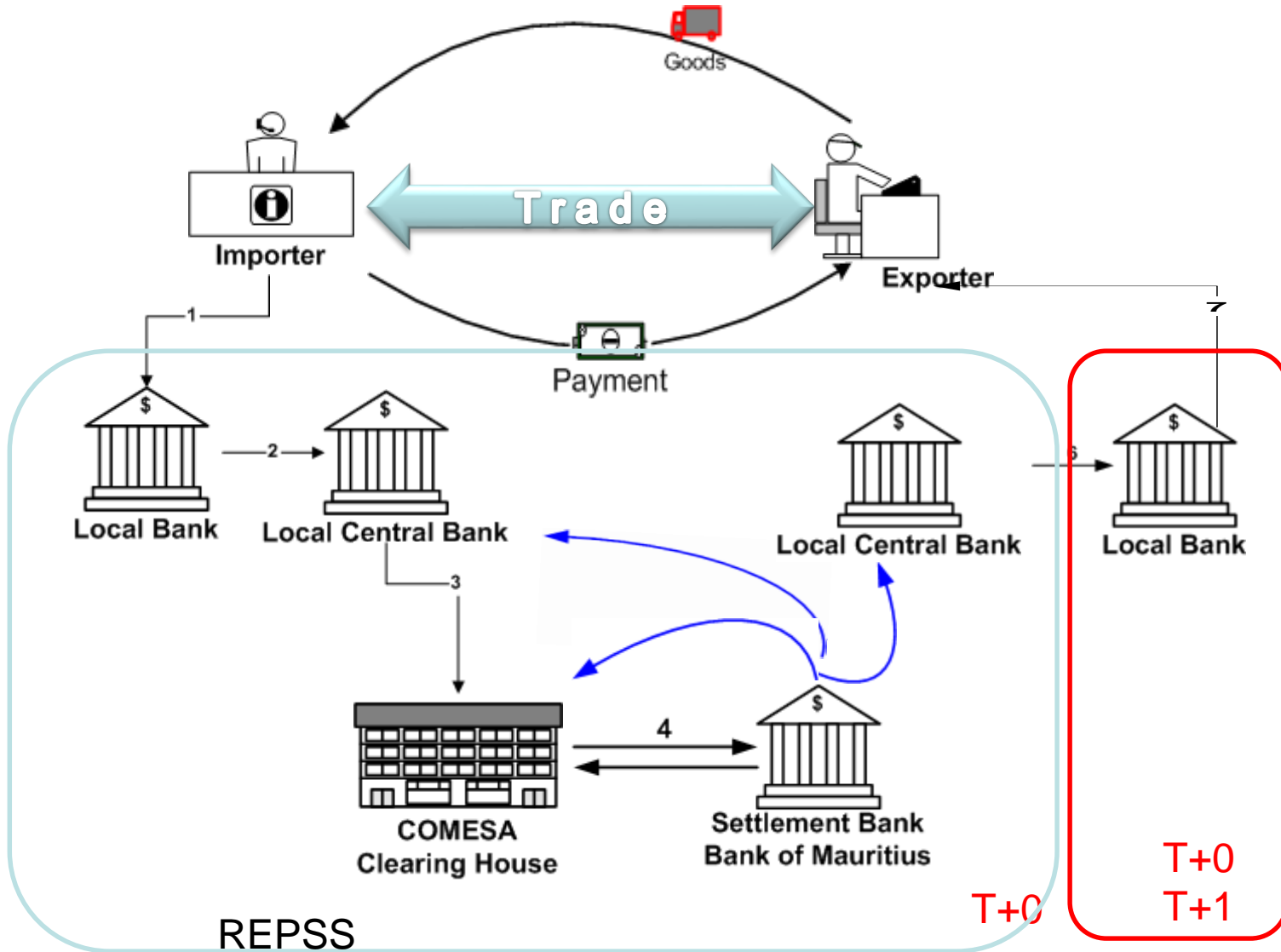
- Settlement in US Dollar and Euro. Flexible to use other currencies
- Payment made in local currency
- Application runs at the CCH
- Bank of Mauritius is the settlement bank in the setup

# Traditional Cross Border Payment





# REPSS Model





# Key benefits

- Reduces number of settlement transactions
- Reduces foreign correspondent banking charges
- Reduces cost of intra-regional trade
- Reduces settlement time period
- Secure and easy traceability

# Key benefits



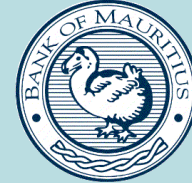
- Guarantees prompt payment to exporter
- Builds trust among traders
- Payment predictability and Settlement finality
- Levels playing field for commercial banks



# Cost considerations

- *Simple, straightforward, and predictable fee structure*
- *Currently free, end to end for 6 months*
- *Fee is being reviewed in light of market responses*
- *May vary from country to country*

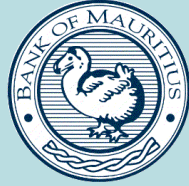
# REPSS – current status



- *Live since 03 October 2012*
- *Dem Rep of Congo, Kenya, Malawi, Mauritius, Rwanda, Swaziland, Uganda and Zambia are current participants*
- *Some real transactions sent and received*
- *Expected: Egypt to join very soon as tests are underway*

# REPSS – Future Avenues Under Consideration

- Marketing
- Opening up platform to other parties such as commercial banks.
- Ensuring that client requests to use REPSS is met
- Other currencies beyond USD and EUR e.g CNY?



# Contacts

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